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STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR XXXX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

1. Mideast
2. Afghanistan

Key stories in the media:

HaQaretz and other media reported that PM-designate Benjamin Netanyahu met last night with a handful of close associates to discuss ministerial postings, a move he hopes will ward off

bitterness among senior Likud figures. Many of them are waiting for Netanyahu to fulfill promises he supposedly made during the election campaign. Netanyahu, who is to swear in his cabinet on Tuesday, is expected to keep the Finance Ministry for himself and appoint Yuval Steinitz as a junior minister below him. Sources close to Netanyahu said he had no intention of appointing someone who would become acting PM in case of emergency. That post, and that of finance minister, are precisely the positions Silvan Shalom had sought; the media reported that Shalom has communicated to Netanyahu over the past few days that he would prefer no ministerial post at all if Netanyahu does not keep his promise to appoint Shalom to a senior position. It is believed Netanyahu intends to appoint Shalom as his vice premier and minister for regional development, or minister for economic peace and deputy prime minister, hoping this satisfies Shalom. Makor Rishon-Hatzofe reported that the National Union party is not likely to join the new government coalition.

All media reported that Shin Bet security service chief Yuval Diskin told the cabinet yesterday that tons of military-grade explosives and raw materials for making rockets have been smuggled into the Gaza Strip since the end of Operation Cast Lead. Diskin told the cabinet that Egypt has gradually improved its operations along the border with Gaza, but he said this was not enough. He was quoted as saying: "There are certain successes. When there is intelligence [from Israel], the Egyptians respond quickly and effectively, but there has still been no halt to the smuggling." Diskin noted the drop in the number of rockets fired at Israel in recent weeks; he said Hamas was trying harder to prevent such attacks. According to Diskin, Hamas has failed to achieve its goals: agreeing on a cease-fire with Israel, Palestinian reconciliation, and the reconstruction of the Gaza Strip. "Hamas is debating how to emerge from this stalemate. They are weighing whether to shift to a popular-protest mode against Israel's siege or to return to terrorism." Diskin was quoted as saying that despite efforts by Hamas to ensure calm, Diskin says a few small groups in Gaza continue to try to attack Israel.

HaQaretz reported that construction activity on West bank settlements has increased during the period leading to formation of the new government.

HaQaretz and other media reported that yesterday Arab leaders taking part in Qatar's Arab League meeting sent Israel an ultimatum: Accept the Saudi Peace Initiative or it will be rescinded. The draft proposal of the statement states: "The peace initiative being proposed today will not be on offer for a long time. Arab commitment to this initiative is dependent on Israeli acceptance." The draft proposal was formulated by the Arab foreign ministers, and will be presented to the Arab League's leaders Monday for approval. HaQaretz noted that the wording is a compromise between the hard-line Arab countries, mainly Syria and Qatar, and the moderates, including Egypt and Saudi Arabia. Israel Radio cited the Lebanese daily Al-Akhbar as saying that Egyptian President Hosni Mubarak will not attend the summit because Qatar allegedly offered a substantial sum of money to Hamas to receive Gilad Shalit instead of Egypt.

Maariv reported that both Israel and the Palestinians know that it is still possible to reach an agreement with Hamas by tomorrow, the date when the Netanyahu government will be introduced. Afterwards, Hamas will face representatives of a different government. Maariv quoted a senior official Israeli diplomatic source as saying yesterday: "Hamas also knows that these are the last 24 hours." Yediot reported that most Hamas prisoners appearing on the list that Israel presented to Hamas are willing to be deported. However, Yediot noted that a key dispute remains between the parties - the list itself.

HaQaretz reported that President Shimon Peres launched a campaign a few days ago whose aim is to allay the international community's fears of Netanyahu's government. The Jerusalem Post quoted sources close to Netanyahu as saying that he refused the demands of two coalition partners to insert a clause against a Palestinian state in the government coalition agreement. HaQaretz reported that allegations of possible illegalities in a massive arms deal between Israel and India have surfaced over the weekend in the Indian media. The size of the deal between the Indian Ministry of Defense and Israel Aerospace Industries,

estimated at \$1.5 billion, had grown to allow for the payment of commissions, which is illegal in India, said the press there. The deal in question is for the delivery of 2,000 Barak Mark VIII missiles, which were originally designed as sea-based weapons. A New Delhi daily, DNA, says it has information showing that \$120 million of the overall deal is described as "business expenses." According to Josy Joseph, a journalist, officials familiar with the deal told him that an IAI representative explained that these costs are meant to cover insurance, bank and transportation costs.

The Jerusalem Post quoted American military-law experts as saying that investigations of war events must be transparent to achieve legitimacy in the court of public opinion.

The Jerusalem Post reported that the Defense Ministry will closely monitor the possible lifting of a ban on foreign sales of the F-22 stealth jet. The Jerusalem Post cited Israel's concern that the sale of MiG 31E to Syria could alter the balance of power.

HaQaretz reported that Israel announced yesterday that it plans to invest 5.7 million shekels (around \$1.36 million) in a religious ceremony led by Pope Benedict XVI during his visit in May.

Yediot reported that some Labor Party Qrebels, including current Education Minister Yuli Tamir, are interested in cooperating with Kadima.

Maariv reported that the owners of Netanya's Park Hotel are suing Hamas, Abbas el-Sayyed, and others for 8.75 million shekels (\$2.1 million) in compensation for the March 2002 Passover night suicide bombing in the hotel. El-Sayyed is slated to be released in the Shalit deal. Leading media reported that on Friday a U.S. judge ordered Iran to pay \$25 million plus interest to the family of IDF soldier Nachshon Wachsman, who was kidnapped and executed by Hamas in October 1994.

The Jerusalem Post quoted Foreign Ministry officials as saying yesterday that they were unaware of a Chinese spy ring whose existence was revealed over the weekend. It reportedly hacked into classified documents and private organizations in 203 countries. HaQaretz quoted a panel of experts headed by MK Yuval Steinitz as saying that Israel can restore its top ranking for flight safety, in line with FAA standards.

Leading media reported that Yisrael Beiteinu Chairman Avigdor Lieberman has initiated an electoral reform that would give Israeli expatriates -- generally considered to be right-leaning -- the right to vote abroad.

1. Mideast:

Summary:

Senior columnist Nahum Barnea wrote in the mass-circulation, pluralist Yediot Aharonot: QWill Obama be willing to subordinate his agenda to Israel's agenda, and will Netanyahu be willing to accommodate the U.S. president on a series of issues, primarily the negotiations on establishing a Palestinian state?

Military correspondent Amos Harel and Palestinian affairs correspondent Avi Issacharoff wrote on page one of the independent, left-leaning HaQaretz: QIn the short time before Benjamin Netanyahu is sworn in as prime minister tomorrow, Israel cannot retreat from its public declarations.... Any concession by [Israel or Hamas] after such decisive declarations would be seen as surrender. The ball seems to be in Netanyahu's court.

Senior op-ed writer Akiva Eldar commented in Ha'aretz: QOlmert should have known that the Palestinians offered their last concession 20 years ago.

Block Quotes:

I. "Give Bibi a Chance"

Senior columnist Nahum Barnea wrote in the mass-circulation, pluralist Yediot Aharonot (3/30): QOstensibly, [the incoming] government has a consensus: Netanyahu, Barak, and Lieberman do not believe that there is a chance of reaching peace agreements. However, the conclusion that each of them has drawn is different. Since Barak does not believe any party, he is willing to talk with any of the parties. He believes in an arrangement - a set of understandings that will enable security calm between one violent round and the next. Lieberman's rhetoric strives to eradication. Netanyahu focuses on the Iranian threat, which he sees as the major issue. According to his view, Israel cannot exist alongside a nuclear Iran. If international pressure on Iran is no use, then [Israel] should persuade the U.S. to take military action or should prepare for independent military action. The policy of a Barak-style arrangement has no chance of passing in Netanyahu's government. Initiated wars, following Lieberman's approach, also do not have much of a chance: It is doubtful whether foreign minister Lieberman will adopt the combative rhetoric of Lieberman from Yisrael Beiteinu. The compromise will be neither eradication nor an arrangement, but rather freezing the existing situation. Except for the Iranian issue: This is an issue that cannot be frozen. Netanyahu will turn his eyes towards Obama's America: Perhaps salvation will come from there. The question will be double: Will Obama be willing to subordinate his agenda to Israel's agenda, and will Netanyahu be willing to accommodate the U.S. president on a series of issues, primarily the negotiations on establishing a Palestinian state? Netanyahu will be able to obfuscate on the matter of the negotiations. It is not certain that he will be able to placate his right wing partners. Netanyahu has received a rare gift in politics: A second chance as prime minister. Barak has also received a gift: A second chance as defense minister. Lieberman too: He has been given a heaven-sent opportunity to free himself of the empty slogans that brought him this far. The kitchen cabinet in Netanyahu's government will be the second-chance club. Netanyahu presumes, probably, that there will not be a third chance. He will do everything in his power so as not to fail. He deserves a chance: Perhaps this time he will succeed.

II. "Give Bibi a Chance II"

Military correspondent Amos Harel and Palestinian affairs correspondent Avi Issacharoff wrote on page one of the independent, left-leaning HaQaretz (3/30): QIn the short time before Benjamin Netanyahu is sworn in as prime minister tomorrow, Israel cannot retreat from its public declarations. Hamas doesn't want to look like it has caved into pressure from Olmert, so it is demanding the freedom of the same prisoners whose release Israel says is out of the question. A zero-sum game has thus been created which at the moment almost certainly rules out any room for maneuver toward a compromise. Any concession by either side after such decisive declarations would be seen as surrender. The ball seems to be in Netanyahu's court -- hopefully now it will be possible to start over and try to reinvigorate the talks. It should not be forgotten, however, that Netanyahu inherits his predecessor's red lines. It will be hard for the new prime minister to be seen as someone willing to make larger concessions than his predecessor, who is to the left of Netanyahu politically. Despite everything, the Egyptian intermediaries refuse to succumb to the pessimism. They see the distance Israel and Hamas have moved in recent months and say progress can also be made with a Netanyahu-led government. The attention to the Shalit negotiations obscures another phenomenon, however. The Gaza border is quieter than it has been for months.

III. "Olmert's Toxic Legacy"

Senior op-ed writer Akiva Eldar commented in Ha'aretz (3/30): QThere was nothing binding in Olmert's talks with Abbas on the core issues.... Second, Olmert's Qhair's breadthQ [to peace] extends over thousands of acres and goes deep into Palestinian territory.... Moreover, had Abbas taken up Olmert's offer on the arrangement for East Jerusalem, the Palestinians would have lynched him.... But Olmert refused to grant the Palestinian state any symbol of

sovereignty over the Old City and its cluster of sacred sites. His major concession was his willingness to accept the return of 30,000 refugees as a Qhumanitarian act.Q However, this point would not have been accepted by Kadima's current leader, Livni.... Olmert should have known that the Palestinians offered their last concession 20 years ago, when the Palestinian National Council decided in Algiers to support the formula of two states for two peoples within the 1967 borders. In return, the PLO received American recognition of its demand for self-determination. The decision of the Palestinian National Council survived seven Israeli prime ministers and endless crises. After Olmert and before Netanyahu, the question was and has remained: Is there an Israeli partner?

12. Afghanistan:

Summary:

The conservative, independent Jerusalem Post editorialized: QIt is time for the multinational, anti-Islamist alliance to carry a full share of the combat burden necessary to defeat -- finally -- Mullah Omar and Bin Ladin. America shouldnQt have to bear the brunt.

Block Quotes:

QObama and Afghanistan

The conservative, independent Jerusalem Post editorialized (3/30): QOn Friday, the President unveiled a new, integrated strategy for Afghanistan and Pakistan intended to address both counter-insurgency and societal development. Nuclear-armed Pakistan, a fractious polity if ever here was one, is integral to solving the Afghanistan conundrum. PakistanQs ISI intelligence agency helped establish the Taliban, and continues to abet them.... It is time for the multinational, anti-Islamist alliance to carry a full share of the combat burden necessary to defeat -- finally -- Mullah Omar and Bin Ladin. America shouldnQt have to bear the brunt.

CUNNINGHAM